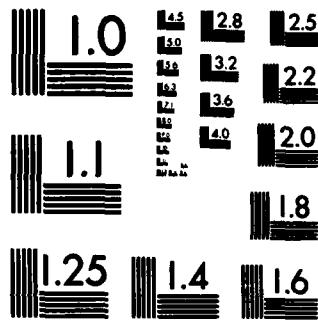


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EL SALVADOR: BRIGHTER PROSPECTS FOR LAND REFORMSummary

Land reform in El Salvador--all but dead just 10 months ago--has passed its political crisis point. The new farmers who have acquired land under the reform still face substantial problems: violence, debt, low farm prices and, most of all, the challenge of improving their productivity. Nevertheless, the reform now has a solid future.

Both political opposition to land reform and violent landowner resistance have been substantially defused by a combination of political and military efforts. Land claimants who had been evicted have been put back on their land, thousands of new beneficiaries have been signed up, and the land-to-the-tiller signup has been extended to the end of 1983. The nation already has about 78,000 new landowners on 21 percent of El Salvador's farmland as a result of the program. These people with their families represent 10 percent of the population.

Salvadoran farm production in 1982 was about equal to the 1975-79 average, despite guerrilla ravages, low prices for export crops, and the disruptions associated with the land reform process itself. This year, the Ministry of Agriculture hopes that farm output will approach the 1979 peak.

* * * * *

Overcoming the Land Reform Crisis

A year ago, violence seemed likely to defeat the new efforts at land reform, as it had defeated previous efforts in 1932 and 1976. More than 5,000 peasant farmers (campesinos) had been killed in 1981, according to Oxfam-America, Inc. Thousands more had been evicted forcibly from land they had

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BASIC INFORMATION ON EL SALVADOR'S AGRARIAN REFORM

	<u>Phase I</u>	<u>Phase II (not implemented)</u>	<u>Phase III</u>	<u>Total</u>
Size of ownership holding subject to redistribution (hectares)	500+	100-500	All rented land	--
Estimated number of holdings to be affected by the agrarian reform	328*	1,700	30,000	--
Estimated amount of land to be redistributed (hectares)	224,326*	125,500	Up to 200,000	549,826
As a % of the country's 1,455,000 hectares of land in farms	15.4%*	8.6%	13.7%	37.7%
Amount of land actually redistributed through December 1982 (hectares)	224,326	0	76,936	301,262
As a % of the country's 1,455,000 hectares of land in farms	15.4%	0	5.3%	20.7%
Estimated number of small farmers to benefit from the reform	60,000**	N.A.	125,000**	185,000**
Actual number of farmers who have claimed land under the reform	29,755	0	48,357	78,112
As a % of the estimated target	49.6%	0	38.6%	42.2%
Number of provisional titles issued	0	0	35,823	--
Number of final titles issued	22	0	1,410	--

* Actual figures.

** Original estimates, probably too high.

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claimed, and there was serious doubt that any additional "beneficiaries" would dare to apply. Following the nationwide election in March 1982, violence against land reform claimants soared. On May 18, 1982, the new Constituent Assembly passed a decree barring claims on land rented out during the upcoming crop year. This appeared to end the reform.

Within weeks, however, the climate changed dramatically. The Salvadoran Government was reorganized on a much broader basis, with moderate forces gaining a larger role. New decrees reaffirmed the rights of land reform claimants. The armed forces weighed in, notifying landowners, campesinos, and the public that agrarian reform was to be carried out and that the army was behind it. To dramatize the point, the military forcibly reinstated some 2,300 of the evicted families. A dynamic new president was appointed to head FINATA, the government bureau administering the land-to-the-tiller program. He sent mobile teams into the countryside and signed up 9,000 new claimants in four months. Violence against campesinos dropped sharply.

Today, the land reform seems accepted throughout El Salvador. An organization representing the larger private farmers is even offering public suggestions on how to improve productivity in the reform sector.

Guerrilla forces, while probably unhappy about the land reform's improved prospects, have not attacked it directly. The guerrillas have attacked production of export crops, however, hurting productivity on both reform and non-reform farms.

Critics of El Salvador's land reform program have focused on the slow progress of the archaic land titling process. This remains a serious procedural bottleneck. However, the reason campesinos were being threatened and evicted from their claims a year ago was not because they lacked titles but because landowners thought they could reverse the reform. Today, the reform is effectively endorsed by the government and the military, and there is no longer much belief that it can be reversed. The pace of titling, therefore, is no longer an accurate measure of progress in El Salvador's land reform. US Agency for International Development (USAID) consultants have made recommendations on a desperately needed modernization of the titling system, which the Salvadoran Government has agreed to implement this year.

Production

Although farm production has held up well overall, cotton production has dropped severely. Cotton is a high-risk crop which requires substantial fertilizer and pesticide inputs. Guerrillas last year shot down 13 crop-dusting planes, and there have been about 100

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attacks on cotton gins and warehouses. Normally, nearly one-third of El Salvador's cotton is grown on the medium-sized farms which have been under threat of land reform expropriation. Low world prices for cotton also have played a role in reducing output. The area planted to corn has increased substantially.

Current Status of Land Reform

Phase I: The first phase of El Salvador's land reform program was directed at large land holdings. More than 300 large, plantation-type farms in El Salvador were taken over in 1980 and converted to cooperatives. Some 30,000 former farmworkers are now co-owners of about 206,000 hectares.^{1/} Some 28 of these big farms lie abandoned in combat zones, cutting total output of Phase I farms by an estimated 7 percent. Yields are generally well below their productive potential. Debt levels for these cooperative farms are extremely high, and there is a serious shortage of effective managers.

Phase II: The second phase of the land reform, for medium-sized farms, has never been implemented. These farms are the most efficient in the nation, and there is concern that carrying through this phase of the reform could severely reduce the country's foreign exchange earnings. Although transfers of title to this land have not taken place, some 11,000 hectares (which had been rented out) have already been claimed under Phase III of the reform, which is intended to transfer titles to those who actually work the land.

Phase III: The third phase is known as the land-to-the-tiller program. Under it, some 48,000 beneficiaries have signed up for 77,000 hectares of land. This is still far short of the program's potential. It has been estimated that 67,000-150,000 families might eventually settle on 94,000-200,000 hectares. The average beneficiary claims only 1.6 hectares under the land-to-the-tiller program, and the land is generally below-average quality. Much of it is on the steeper slopes. Yields on these small farms in the past have been below the national average; fertilizer use has been well below average. Reform supporters hope that having title to a specific piece of land will encourage farmers to use more fertilizer, construct terraces, and employ other yield-enhancing practices. But efforts to teach better techniques are hampered by the illiteracy of most of the beneficiaries.

Economic Threats to Land Reform

The major political threat to the land reform seems past, but several economic problems still threaten its long-term success.

1/ One hectare = 2.471 acres.

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Weakness of Cooperatives. Perhaps the greatest single threat to the viability of Phase I of the land reform is the unwieldy nature of the large cooperative farms. Large co-op farms rarely have been successful in other countries. Both USAID and World Bank development experts favor smaller private farms because they almost always are more productive.

El Salvador's big farms barely cover their production costs. Yet they owe some \$300 million in land compensation on which interest is compounding at 9.5 percent annually. The government has been able to hire only 186 qualified technicians to serve the more than 300 cooperatives. Many of these technicians have preferred to live in town and visit the farms for which they are responsible. The big farms are also soaking up an inordinate share of production credits and inputs. If capital were made available to smallholders on the basis of demonstrated ability, it would foster far more productivity. A survey sample of Phase I beneficiaries was about evenly divided between a preference for continuing the cooperative structure and a preference for dividing the land into individual plots.

Non-Competitive Marketing System. The current quasi-government marketing monopolies are obviously a reaction against the previous "private" oligarchic marketing firms. The fault of the old system, however, was not that marketing firms were privately owned, but that no one outside the oligarchy was permitted to compete effectively with them.

Government marketing monopolies of the type now operating in El Salvador have worked against farmers in nearly all countries where they have been tried. They usually have turned into mechanisms for taxing farmers, and their managers often have become corrupt. In El Salvador, coffee growers are already protesting that more than a year passes before they receive any payment or any accounting for their crop. Meanwhile, their bank loans accrue interest. The government grain-buying agency also is much criticized for excessive discounts on quality and for slow payment.

Permitting private marketing firms and marketing cooperatives to compete with the government agencies not only would enforce a higher standard of performance but also would attract badly needed private capital to storage and marketing functions.

"Private Land Reform" for Phase II. The Phase II reform is highly controversial. A recent statement by an organization of right-wing private farmers includes a proposal for a sort of "free-market" land reform under which they would be allowed to sell any land they held in excess of the announced maximum of 100-150 hectares, depending on quality. This would create a private land market. The private farmers would seek responsible,

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eligible campesinos to buy their excess land, and campesinos would seek the most attractive parcels. The prices would be established on a competitive basis. The government could announce a time frame for enforcement--say five years--but this approach would not involve the government financially, and it could well engender less hostility than Phases I and III.

Security. Security is a particular problem and expense for the large co-op farms, whose bigger buildings and equipment are more vulnerable targets both for guerrillas and for other lawless elements. Violence has been endemic to rural El Salvador for generations, in part because of the lack of generally accepted institutions for resolving disputes peaceably and equitably. The available courts have been weak, understaffed, and intimidated. Land reform legislation contemplates the creation of agrarian tribunals to resolve land disputes. These courts, backed by the authority of the armed forces, would be aimed at giving campesinos access to justice in land disputes quickly, peaceably, and inexpensively. At the least, a pilot model of these courts should be created in an area with little guerrilla activity, in order to test their feasibility.

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